

Message Text

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ACTION XMB-07

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 4394

INFO AMEMBASSY SEOUL PRIORITY

AMEMBASSY VIENNA PRIORITY

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PLEASE PASS EXIMBANK

EO 11652: NA

TAGS: BEXP EFIN JA

SUBJ: 125 MILLION DOLLAR U.S. EXPORT OPPORTUNITY: STEEL MILL FOR

ROK

SUMMARY: POHANG IRON AND STEEL CO., LTD. (AN ROKG CORPORATION) INTERESTED IN PURCHASING COLD ROLLING MILL, BLAST FURNACE FROM U.S. TOTAL VALUE 125 MILLION DOLLARS. REQUEST EXIMBANK VIEW RE POSSIBLE CEILING EXIMBANK FINANCING FOR ROK. END SUMMARY.

1. IN DISCUSSIONS WITH TAKESI SAKURAI OF MITSUBISHI CORPORATION, EMBASSY LEARNED THAT POHANG IRON AND STEEL CO., LTD., PLANNING MAJOR ADDITION TO ITS COMPLETED STEEL MILL IN KOREA. PRESENT CAPACITY NOW ONE MILLION METRIC TONS CRUDE STEEL PER YEAR. NEW TOTAL CAPACITY WOULD BE 2.6 MILLION TONS.

2. TOTAL VALUE PLANT ADDITION MORE THAN 300 MILLION DOLLARS. GOJ TO EXTEND 45 MILLION DOLS, PLUS 40 MILLION DOLS FROM GOJ'S REMUNERATION FUND, FOR TOTAL GOJ PARTICIPATION 85 MIL DOLS. ROK

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APPROACHING AUSTRIAN EQUIPMENT BUILDING CO. (VOERST) WHO WILLING

FINANCE 100 MILLION TOLD. THUS, 115 MIL DOLS NEEDED FROM OTHER SOURCES. ENTIRE PROJECT TO BE GUANANTEED BY ROKG.

3. POHANG IRON AND STEEL CONSIDERING PURCHASE OF COLD ROLLING MILL FROM MESTA CORP. (PITTSBURGH) VALUED AT ROUGHLY 90 MIL DOLS. ALSO BLAST FURNACE FROM KOPPERS CORP (U.S.) WORTH ABOUT 35 MIL DOLS. TOTAL U.S. POTENTIAL PORTION OF STEEL MILL FACILITIES: 125 MIL DOLS. POHANG PLANNING APPLY U.S. EXIMBANK PRELIMINARY COMMITMENT WITHIN THREE WEEKS, CONCERNED THAT EXIMBANK MAY HAVE CEILING ON FINANCING TO KOREA. POHANG CONSIDERS U.S. SOURCES BLAST FURNACE VITAL. THUS, IF U.S. PORTION OF DEAL AS OUTLINED ABOVE OVER CEILING, COLD ROLLING MILL WOULD GO TO OTHER (EUROPEAN) SOURCES.

4. COMMENT: ORIGINAL MILL COMPLETELY JAPAN-SOURCED. NEW PART WAS ALSO TO BE JAPANESE, BUT ECONOMICS AND POLITICS RESULTED IN SHIFT IN SOURCING. ACCORDING SAKURAI, GOJ CUT 90 MIL DOLS FROM THIS PROJECT IN VIEW OF RECENT KIM CASE. PM TANAKA, MITI MIN NAKASONE AGAINST CUTBACK; FONMIN OHIRA IN FAVOR. ON ECONOMIC SIDE, CURRENT INFLATION IN JAPAN RESULTED IN MAKING JAPANESE BLAST FURNACE OVER THIRTY PERCENT MORE EXPENSIVE THAN U.S. EQUIVALENT.

5. ACTION REQUESTED: MR. SAKURAI PLANS VISIT MESTA CORP SATURDAY, JAN 26. WOULD APPRECIATE RECEIPT EXIMBANK'S VIEW RE LIMITATION OF FINANCING TO KOREA BY FRIDAY JAN 25.
SHOESMITH

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Message Attributes

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